

VZCZCXRO8034

OO RUEHAG RUEHAST RUEHBI RUEHCI RUEHDA RUEHDF RUEHFL RUEHIK RUEHKW
RUEHLA RUEHLH RUEHLN RUEHLZ RUEHNEH RUEHNP RUEHPOD RUEHPW RUEHROV
RUEHSR RUEHVK RUEHYG
DE RUEHTA #2392/01 3390157
ZNR UUUUU ZZH
O 040157Z DEC 08 ZDK
FM AMEMBASSY ASTANA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 4026
INFO RUCNCIS/CIS COLLECTIVE 0887
RUEHZL/EUROPEAN POLITICAL COLLECTIVE
RUCNCLS/SOUTH AND CENTRAL ASIA COLLECTIVE
RUEHBJ/AMEMBASSY BEIJING 0292
RUEHKO/AMEMBASSY TOKYO 0994
RHMFIUU/CDR USCENTCOM MACDILL AFB FL
RUEKJCS/JOINT STAFF WASHDC
RUEKJCS/SECDEF WASHDC 0369
RHEHNSC/NSC WASHDC 0454
RHEFAAA/DIA WASHDC
RUEAIIA/CIA WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RHEBAAA/DEPT OF ENERGY WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC

UNCLAS SECTION 01 OF 02 ASTANA 002392

DEPT FOR SCA/CEN, EEB
PLEASE PASS TO USTDA DAN STEIN

SIPDIS
SENSITIVE

E.O. 12958: N/A

TAGS: [PGOV](#) [ECON](#) [EFIN](#) [EIND](#) [ENRG](#) [EPET](#) [KTDB](#) [KZ](#)

SUBJECT: KAZAKHSTAN ECONOMIC AND ENERGY UPDATE, November 9 -
November 22, 2008

¶1. (U) Sensitive but unclassified. Not for public Internet.

¶2. (SBU) Summary: This information is drawn primarily from the
Kazakhstani local press and has not been verified for accuracy.

- National Bank Eases Reserve Requirements
- Use of the National Fund Criticized
- New Appointments
- Economic Statistics
- First Tengiz Crude Loaded at Batumi
- Kazakhstan-U.S. Joint Venture in the Caspian Sea
- Agip KCO Accused of Labor Law Violations
- Imperial Energy Leaves Kazakhstan
- More Transparent Karachaganak Petroleum Operating Tenders
Demanded
- Energy Statistics

NATIONAL BANK EASES RESERVE REQUIREMENTS

¶3. As of November 18, the National Bank has decreased minimal
reserve requirements for second-tier banks. The reserve
requirements for domestic liabilities have decreased from 5 to 2%,
and for external liabilities from 7 to 3%. According to National
Bank estimates, this will release approximately 350 billion tenge
(about \$2.9 billion) in cash into the economy.

USE OF THE NATIONAL FUND CRITICIZED

¶4. The Director of the Kazakhstan Public Policy Research Center,
Meruert Makhmutova, believes that Kazakhstan has opened its National
Oil Fund too early. According to Makhmutova, if budget revenues
continue to decrease as expected, money from the National Fund will
likely be needed to support social programs. (NOTE: A large portion
of the National Fund is currently earmarked to finance the purchase
of bank shares in the top four Kazakhstani banks. END NOTE.) In
her opinion, it is inappropriate to solve banks' internal problems
at the expense of the National Fund, and that the banks should be
expected to manage the financial crisis themselves.

NEW APPOINTMENTS

¶5. The 40-year-old former Deputy Governor of the Kostanay region in northwest Kazakhstan, Asylzhan Mamytbekov, has been named Chairman of the Managing Board of KazAgro Holding Company. Mamytbekov replaced Alikhan Smailov, who was re-appointed Vice-Minister of Finance.

ECONOMIC STATISTICS

¶6. According to the National Statistics Agency, fixed capital investments in Kazakhstan in January-October 2008 were estimated at 2.96 trillion tenge (approximately \$24.7 billion), marking a 7.6% year-on-year increase. The oil and gas sector remained the most attractive in terms of investment, absorbing 22.6% of the total investments. Outside of the extractive sector, there was also notable investment growth in the following sectors: education (80%); electricity, gas and water supply (52.9%); hotels and restaurants (57%); and utility, social and personal services (35.6%).

¶7. In January-October 2008, Kazakhstan reduced its crude steel output by 3.9% year-on-year to 3,814,948 tons. The output of flat steel products fell 14.3% to 2,461,011 tons, including 160,127 tons of tin-plate (down 9.9%), and 439,972 tons of galvanized steel (down 10.8%). Ferroalloy production, however, rose by 2.8% to 1,454,143 tons.

FIRST TENGIZ CRUDE LOADED AT BATUMI

¶8. According to KazTransOil (KTO), on November 19, Batumi Oil Terminal loaded a tanker with Tengiz oil for the first time in six years. This oil shipment is the first tangible result of a long-term agreement signed between KTO and TengizChevrOil to

ASTANA 00002392 002 OF 002

transport Tengiz crude via the Trans-Caucasian corridor.

KAZAKHSTAN-U.S. JOINT VENTURE IN THE CASPIAN SEA

¶9. On November 19, TenizService, a subsidiary of KazMunaiGas, and U.S. company M-I SWACO, established a joint venture called Kaz M-I to produce synthetic, water- and oil-based drill fluids. Kaz M-I will also dispose of drill-cutting waste, supply oilfield chemicals and additives and provide equipment for mechanical cleaning of wells.

AGIP KCO ACCUSED OF LABOR LAW VIOLATIONS

¶10. On November 14, the Atyrau newspaper "Prikaspiiskaya Kommuna" published an extensive report of a meeting held by the Atyrau Oblast Governor to discuss the operations of Agip KCO and its subsidiaries. According to the report, the regional government accused Agip KCO of forcing employees at its Karabatan plant to work 60 hours a week instead of the maximum limit of 40 hours, paying dramatically different salaries to local and expatriate staff, refusing to sign a collective bargaining agreement, terminating bonus payments to employees, and failing to report on the amount of local content in its goods and services. Responding to some of the claims, Agip KCO Director General Luciano Vasques noted that even though the company was not obliged to pay bonuses to its employees beyond their negotiated wages, it would continue this practice. He also mentioned that the company submits a regular report on local content to national labor authorities and promised to submit a similar report to local authorities. Berghey Ryskaliyev, Governor of Atyrau Oblast, was skeptical about Agip KCO's reported local content of 34% in 2008.

IMPERIAL ENERGY LEAVES KAZAKHSTAN

¶11. On November 19, "Neft Rossii" reported that the British Imperial Energy Corporation decided to focus on its oil production in Russia and forego its license to explore the Severniy Tourgay oil field in Kostanay oblast. (NOTE: Previous press reports indicated that India's Oil and Natural Gas Corporation has sought to buy Imperial Energy. END NOTE.)

MORE TRANSPARENT KARACHAGANAK PETROLEUM OPERATING TENDERS DEMANDED

¶12. On November 20, a group of parliamentarians in West Kazakhstan created a working group to ensure the transparency of tenders conducted by Karachaganak Petroleum Operating B.V. (KPO), so that local small and medium enterprises would receive access to KPO contracts. They also suggested revising clauses in the KPO Production Sharing Agreement to increase the annual amount of KPO investments in the social projects of West Kazakhstan oblast.

ENERGY STATISTICS

¶13. According to the National Statistics Agency, from January to October, Kazakhstan produced 48.6 million tons of crude oil and 27.32 billion cubic meters of natural gas, an increase of 6% and 11.4%, respectively, over the same period in 2007. From January to September, Kazakhstan produced 79.94 million metric tons of coal, and exported 24.79 million, valued at \$627.2 million, which represented a 29.8% increase in export volume, and a 65.4% increase in export value over the same period in 2007.

MILAS